

J.C. Watts, Jr.
Chairman
4th District, Oklahoma

House Meets at 10:00 a.m. for Legislative Business

Anticipated Floor Action:

H.R. 3081—Small Business Tax Fairness Act

H.R. 3846—Increasing the Federal Minimum Wage

Motion to Instruct Conferees on H.R. 1501 (Consequences for Juvenile Offenders Act)

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H.R. 3081—Small Business Tax Fairness Act

Floor Situation: The House will consider H.R. 3081 as its first order of business today. Yesterday, the Rules Committee granted a closed rule that provides two hours of general debate equally divided between the chairman and ranking minority member of the Ways & Means Committee. The rule waives all points of order against the bill and its consideration and provides one motion to recommit, with or without instructions. It also establishes the terms of debate for considering H.R. 3846. Finally, the rule requires that, upon passage of H.R. 3846, the measure be incorporated into the text of H.R. 3081.

Summary: H.R. 3081 provides approximately \$45.3 billion in tax relief over five years from FY 2001-2005. In addition, the measure includes \$463 million in FY 2000 tax relief by reinstating the installment method of accounting, for a total of \$45.8 billion in tax relief over six years. Specifically, the bill:

- * reduces estate and gift taxes over a five-year period, providing \$26.9 billion in tax relief;
- * includes measures designed to reform pensions and enhance retirement security (providing \$6.1 billion in tax relief over five years). Specifically, the bill (1) increases pension portability so employees may “roll over” plans from one job to the next; (2) provides additional salary “catch-up” contributions for workers over age 50 (*i.e.*, these individuals may deposit additional amounts into certain retirement accounts); (3) accelerates vesting requirements for employer matching contributions; (4) increases contribution and benefit

limits in defined contribution and benefit plans; and (5) simplifies the pension system to help small businesses offer and large businesses improve their pension plans;

- * increases the deduction for health insurance of self-employed individuals to 100 percent beginning in 2001, providing \$2.1 billion in tax relief over five years;
- * authorizes the HUD Secretary to designate 15 “renewal communities” in both urban and rural areas, allowing them to qualify for special tax incentives, reducing taxes by \$922 million over five years;
- * increases the deductible percentage of business meal expenses to 60 percent in 2002 (from the current level of 50 percent), providing \$4.5 billion in tax relief over five years;
- * includes a number of provisions to provide real estate tax relief, reducing taxes by \$922 million over five years; and
- * repeals a provision enacted last year that requires small business owners who sell their businesses to immediately pay all capital gains taxes resulting from the sale in one lump sum, even if the sale’s payments are spread out in installments over several years (this repeal provides \$1.8 billion in tax relief over six years, including \$463 million in FY 2000).

The bill was introduced by Mr. Lazio *et al.* and was not reported by a committee. The Joint Committee on Taxation estimates that enactment will cost \$463 million in FY 2000 (to reinstate the installment method of accounting), \$2.4 billion in FY 2001, and a total of \$45.8 billion over the FY 2000-2005 period.

Views: The Republican leadership strongly supports passage of the bill. An official Clinton administration viewpoint was unavailable at press time.

Additional Information: See *Legislative Digest*, Vol. XXIX, #5, Pt. III, March 8, 2000.

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H.R. 3846—Increasing the Federal Minimum Wage

Floor Situation: The House will consider H.R. 3846 after it completes consideration of H.R. 3081. Yesterday, the Rules Committee granted a modified closed rule that establishes the terms of consideration for both H.R. 3081 and H.R. 3846. For H.R. 3846, the rule provides one hour of general debate equally divided between the chairman and ranking minority member of the Education & the Workforce Committee. It makes in order two amendments to H.R. 3846, each debatable for 30 minutes. In addition, the rule waives all points of order against the amendments, except those that prohibit consideration of legislation containing certain unfunded mandates. The rule provides one motion to recommit, with or without instructions. Finally, the rule requires that, upon passage of H.R. 3846, the measure be incorporated into the text of H.R. 3081.

Summary: H.R. 3846 amends the 1938 Fair Labor Standards Act (FLSA; *P.L. 75-718*) to increase the federal minimum wage by \$1 over three years. Specifically, the bill increases the minimum wage from its

current level of \$5.15 to (1) \$5.48 on April 1, 2000; (2) \$5.81 on April 1, 2001; and (3) \$6.15 on April 1, 2002.

H.R. 3846 includes new language to allow states to “opt out” of the federally mandated wage increase if (1) the state adopts a minimum wage rate that is no less than the current rate of \$5.15 and (2) the rate is applied in a manner as inclusive as the federal rate (i.e., applies to the same classes of employees). In effect, the measure allows states to choose minimum wage rates of less than the mandated increase or adjust the timeline for increasing their wage rates. If a state legislature takes no action, the federal increase applies.

The bill also amends the FLSA to provide an exemption from minimum wage and overtime laws for certain “inside sales” employees, which the bill defines as people who work from within an employer’s establishment to sell to customers using the telephone, fax, and computer. The bill extends this new exemption to any employee in a sales position if the employee (1) has specialized or technical knowledge related to the products or services being sold; (2) makes sales predominately to persons to whom the employee has made previous sales, which does not involve initiating sales contracts entirely on cold calls; (3) receives an annual base compensation, regardless of the number of hours worked, of one and one-half times the minimum wage multiplied by 2,080 (wherever a higher state or local minimum wage prevails, the minimum compensation threshold will adjust accordingly); and (4) receives incentive compensation based on each sale made that is equal to at least 40 percent of the employee’s minimum base compensation. Even if an employee receives a higher base wage, the minimum incentive compensation figure remains based on a proportion of the minimum base wage.

Finally, the measure exempts from minimum wage and overtime laws (1) funeral directors and licensed embalmers, and (2) computer professionals whose primary duties include systems and database analysis and design, as well as training or managing employees who perform such duties.

Views: An official Republican leadership position was unavailable at press time. The Clinton administration strongly urges Congress to raise the minimum wage by \$1 in two equal steps, as proposed by the president, and has stated that the president will veto legislation that unacceptably delays a minimum wage increase.

Amendment: As specified above, the rule makes in order two amendments, each debatable for 30 minutes:

Mr. Castle will offer an amendment to eliminate provisions in the bill that allows states to opt-out of the proposed \$1 federal minimum wage increase under certain conditions. **Contact: x5-4165**

Mr. Traficant and Mr. Martinez will offer an amendment to increase the federal minimum wage by \$1 over two years by raising it from its current level of \$5.15 to \$5.65 on April 1, 2000, and to \$6.15 on April 1, 2001. **Contact: x5-5261 (Traficant); x5-5464 (Martinez)**

Additional Information: For information on H.R. 3833, a similar measure to increase the minimum wage, see *Legislative Digest*, Vol. XXIX, #5, Pt. II, March 6, 2000.

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Motion to Instruct Conferees on H.R. 1501 (Consequences for Juvenile Offenders Act)

Floor Situation: The House will consider a motion by **Mrs. Lofgren** to instruct conferees on H.R. 1501 after it completes consideration of H.R. 3081. Such a motion may be offered as a privileged matter after a measure has been in conference for 20 days; it is debatable for one hour. Motions to instruct are non-binding (*i.e.*, they state the House's opinion on a matter but do not *require* any particular action from House conferees).

Summary: The Lofgren motion states that conferees on H.R. 1501 should convene their first substantive meeting to offer amendments and motions within the next two weeks. The House passed H.R. 1501 by a vote of 287-139 on June 16, 1999; the Senate passed a similar measure (S. 254) by a vote of 73-25 on May 20, 1999. The House appointed conferees on July 30.

Additional Information: See *Legislative Digest*, Vol. XXVIII, #17, June 11, 1999.

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